its initial deployment of the Network Element Platform, and then can, as it gains customers, add additional quantities of trunk-side Network Elements.

AT&T's Position on Shared Transport and the Network Platform

AT&T's has identified three principal requirements for what it terms "common transport":[30] First, it must use existing Ameritech facilities. Second, AT&T's traffic must be co-mingled with Ameritech traffic and traffic from other carriers. Third, AT&T must not be required to establish custom routing for its traffic that is routed over "common transport" facilities; rather, AT&T will use Ameritech's existing routing instructions.

Similarly, AT&T has identified three principal differences between the purchase of the Network Element Platform and Resale:[31] First, AT&T incurs risks when it purchases the Network Element Platform that it would not incur when it purchases Resale Services. Second, when AT&T purchases the Network Element Platform, AT&T can create services that it cannot create when it provides local exchange service using Resale Services. Third, the Network Element Platform can be used to allow AT&T to gradually introduce its own facilities in place of Network Elements purchased from Ameritech.

[30] Presentation of Robert Sherry, AT&T, before the Staff of the Public Utilities Commission of Ohio (May 8, 1997); Presentation of Robert Sherry, AT&T, before the Staff of the Wisconsin Public Service Commission (May 12, 1997).

[31] Letter from Bruce K. Cox, AT&T to William F. Caton, FCC (May 14, 1997).

Why AT&T's Position is Inconsistent with the Interconnection Agreements, the Act and the FCC Rules

As discussed in more detail below, AT&T's positions on both Shared Transport and the Network Element Platform are inconsistent with the Interconnection Agreements, the Act and the FCC Rules.

First and foremost, "common transport" as requested by AT&T, is nothing more than undifferentiated usage on Ameritech's existing switched network on a per-minute-of-use basis. As such, it simply cannot be a Network Element, but is instead, a service.

Second, AT&T's proposal violates the Act's requirement that interoffice transport be unbundled from switching and other services. As a matter of engineering fact, "common transport" is not and cannot be unbundled from switching and still operate separately as "common transport."

AT&T's Requirements for Shared Transport

As to AT&T's first requirement, that Shared Transport must be provided over existing Ameritech facilities, Ameritech has no disagreement with AT&T. Indeed, Ameritech has no obligation to make Network Elements available where those Network Elements do not exist today. However, AT&T's two remaining requirements are at odds with the Interconnection Agreement, the Act and the FCC Rules.

As AT&T has admitted, traffic from multiple carriers cannot be commingled on unbundled Shared Transport facilities and comply with the Act or the FCC Rules. First, the only way to separate such multiple carrier traffic is to

have the Shared Transport facility terminate on carrier-specific facilities on the DSX panel where the Shared Transport facility terminates or on carrier-specific Trunk Ports on the Unbundled Local Switching Network Element. AT&T's proposal specifically rejects any requirement for such carrier-specific facilities. However, the FCC Rules require that Ameritech must provide access to the Shared Interoffice Transport Network Element to permit Ameritech to segregate carrier-specific traffic over the Shared Transport Network Element and deliver it to a carrier's Collocation space in an Ameritech Central office. AT&T admits that, under its proposal, this cannot be done.

AT&T then contends that the Shared Transport Network Element need not meet that requirement when it is provided as part of the Network Element Platform. However, there cannot be two different definitions of the same Network Element depending upon whether that Network Element is provided separately or in combination with other Network Elements, and services cannot be transformed into Network Elements. Although the FCC Rules and FCC Order require Ameritech to provide Network Elements so that a requesting carrier may combine those Network Elements, that requirement does not transform a combination of Network Elements into a service.

Even more fundamentally, AT&T's commingling requirement, because it prohibits the provision of any carrier-specific facilities to the sharing carriers, would require the bundling of such "common" transport with switching functionality so that the sharing carriers' traffic can be separated and delivered

to the appropriate carriers, just as is done in the access service known as Common Transport service.

Finally, AT&T's requirement that it use Ameritech's existing routing instructions and that it need not provide Ameritech with information about the number or type of Shared Transport facilities it requires, further demonstrates that what AT&T's wants Ameritech to provide is a telecommunications service, not a Network Element. Coupled with AT&T's other requirements, and as AT&T has been forced to admit, AT&T's definition of "common transport" in which Ameritech, not AT&T, determines routing and facility requirements, is no different functionally than Resale usage services. With Resale Services, Ameritech determines the appropriate routing and facilities requirements; with Network Elements, the requesting carrier determines such routing and facilities requirements, which AT&T refuses to do under its proposal.

Even more fundamentally, AT&T's request that such routing be included as part of its definition of Shared Transport further demonstrates why AT&T is wrong: First, "routing" is not included as part of the Dedicated or Shared Interoffice Network Elements: routing is a function that is provided by switches and switch software. Thus, AT&T's insistence that routing be included as part of its definition of Shared Transport demonstrates conclusively that AT&T's definition of Shared Transport must include switching. But, under the Act and the FCC Rules, Shared Transport cannot include switching. Second, the switch and the software provided by switch vendors provide only the capability of acting on the routing instructions that are programmed by the operator of the switch:

they do not provide routing instructions. The routing instructions used by Ameritech to provide its services are the proprietary product of Ameritech's engineers and administrators, and are not a feature of the switch. Thus, those routing instructions would not be part of a Shared Transport Network Element, even if such a Network Element could include switching.

AT&T's Network Element Platform

AT&T's attempts to distinguish the Network Element Platform from Resale Services are equally without merit. Failing to identify any functional difference between the Network Element Platform and Resale Services,[32] AT&T relies on three principal differences, each of which are demonstrably false.

First, AT&T is simply wrong when it contends that it incurs risks when it purchases the AT&T version of the Network Element Platform that it would not incur when it purchases Resale Services. To support this position, AT&T identifies two such risks: (1) the risk that insufficient user demand will recover the fixed costs of the Unbundled Loop and Unbundled Switch and (2) that AT&T Network Element Platform users will generate substantial switch usage costs on local (*i.e.*, free usage) calls, such as calls to the Internet. Neither risk is of the

[32] Outside of the "facilities" versus "services" argument, Ameritech notes that AT&T refuses to pay for all the facilities that are part of the Network Element Platform, such a necessary cross-connects. *Compare* handouts illustrating "AT&T View" and "Ameritech View" distributed by Robert Sherry at his presentation before the Staff of the Wisconsin Public Service Commission (May 12, 1997), attached hereto as Attachments 1 and 2, respectively. Those cross-connects, which AT&T agreed were required in the Interconnection Agreements, are part of the facilities necessary to provide the service AT&T requests. *See* Interconnection Agreements at Section 9.7.1; Schedule 9.2.4, Section 1.1.; Schedule 9.5, Sections 2.1.1 and 4.1.1; and the Pricing Schedules. The only possible basis for AT&T's position is that such cross-connects are unnecessary because one of the fundamental results from AT&T's position is that, contrary to Section 51.319(d)(2)(iii) of the FCC Rules, Ameritech does not need to provide an ability to connect Network Elements to each other or to the facilities of other carriers.

type contemplated by the Act, neither risk relates at all to the Shared Transport Network Element, nor is either risk substantially different than the risk a Reseller faces.

Tellingly, and most importantly, AT&T has not—nor could it—contend that it has greater risk when it purchases its definition of "common transport" than when a Reseller purchases usage services from Ameritech. Just as in Resale, AT&T will only pay for the services that its customers use, and AT&T will, therefore, have no risk of stranded or unused investment related to its definition of "common transport."

Instead, AT&T focuses on the portions of the Network Element Platform that are not in dispute in an attempt to bootstrap some apparent greater risk from purchasing Loops and Unbundled Local Switching than in purchasing Resale comparables. However, even that attempt falls flat: AT&T does not face any greater risk when purchasing a Loop and its definition of Unbundled Local Switching than a Reseller purchasing a Network Access Line does. This is principally the case because AT&T refuses to purchase all the components of Unbundled Local Switching, such as Trunk Ports. Rather, it contends that it need only purchase a Loop, and pay only the Line Port and some of the switch usage rate elements of Unbundled Local Switching. Thus, even if relevant, AT&T faces no more risk of recovering the fixed cost of a Loop than does a Reseller of a Network Access Line.

AT&T's second identified risk, the risk that its users will cause switch usage costs on free, local calls, incorrectly assumes that such local calling is

free in all cases in all states: it is not. Finally, any risk AT&T may have related to such calling would be greatly diminished under AT&T's proposal since one of the other hallmarks of that proposal is that it be paid Reciprocal Compensation when it secures Network Element Platform customers that, like internet providers, have mostly terminating, but few originating calls (Resellers do not receive Reciprocal Compensation.)

So, too, with its "new service" argument, AT&T focuses on Network Elements that are part of the Network Element Platform other than Shared Transport to demonstrate that the Network Element Platform will permit AT&T to offer new services that are not available if it purchases Resale Services. Ameritech agrees that if AT&T purchases Unbundled Local Switching it may be able to provide new services that are not available under Ameritech's Resale offering.[33] AT&T has not identified—and cannot identify—a single new service that it can provide under its definition of "common transport." As discussed, *supra*, AT&T or any other carrier purchasing Shared Transport consistent with the definition of that Network Element in the Act and FCC Rules, could provide different quality levels and types of services using such Shared Transport.

AT&T is also wrong to suggest that the Network Element Platform provides any greater ability than Resale does for AT&T to gradually introduce its own facilities in place of Network Elements purchased from Ameritech. First, as AT&T has admitted, the Network Element Platform and Resale are functionally

[33] For the reasons stated in n.12, *supra*, Ameritech disagrees that AT&T cannot offer different pricing options for existing services when it purchases Resale services.

equivalent . Moreover, AT&T has insisted that there is no difference in the transition of a customer from Ameritech's retail service to the Network Element Platform than there is from Ameritech's retail service to Ameritech's Resale Service under AT&T's definition of "common transport. AT&T has thus proposed that both changes occur in exactly the same manner, requiring only a change in Ameritech's records to note the different class and type of service—the same charge that applies when an end-user customer changes from Ameritech retail to Resale Service. Unlike the case for all Network Elements, AT&T proposes that no facilities work need be done to accomplish this change.

Finally, AT&T has not identified—and cannot identify—a single way in which its definition of the Network Element Platform fosters the growth of facilities-based competition more or differently than Resale. In fact, the uneconomic price arbitrage that results from AT&T's definition of the Network Element Platform would most certainly discourage such competition. Most importantly, AT&T's definition of Shared Transport and the Network Element Platform would hinder the development of competition for Exchange Access services. If AT&T's definition were adopted, only the carrier providing the Local Loop would be able to provide Exchange Access to the interexchange carrier(s) chosen by the end user customer to whom service is provided over that Local Loop. This is the case, as AT&T admitted in the Wisconsin staff presentation on this issue, because AT&T's position is that it--and it alone--is the exclusive Exchange Access provider for all customers served by AT&T's Network Element Platform.

Ameritech's Compromise Proposal

In an attempt to resolve this issue, Ameritech has proposed a hybrid solution that is consistent with AT&T's stated requirements for the Network Element Platform. That solution, which is not required by the Act, the FCC Rules or the FCC Order, is a hybrid of Network Elements and Resale Services. Under this proposal, AT&T would purchase Unbundled Local Loops and Unbundled Local Switching from Ameritech as Network Elements. AT&T would not be required to purchase custom routing as part of the Unbundled Local Switching Network Element. Rather, AT&T's calls would be routed over Ameritech's facilities using the same routing instructions that Ameritech uses to complete its own calls and those calls from Resellers.

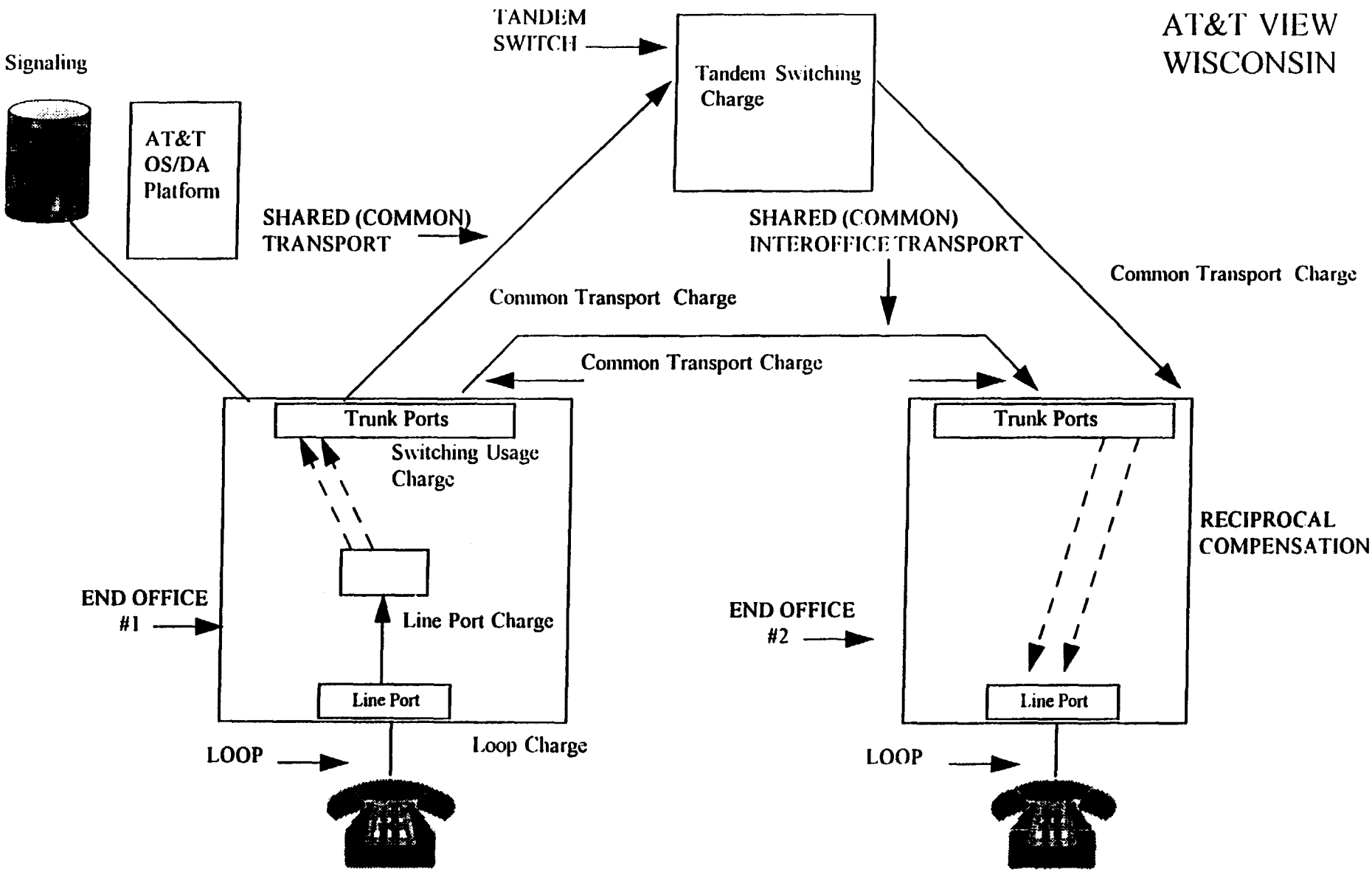
Because AT&T would not be purchasing the Network Elements that comprise the trunk side of the network,[34] Ameritech would provide such network usage to AT&T at the applicable Wholesale Resale rates, since Ameritech is providing usage services to AT&T, not Network Elements. Finally, because Ameritech would be providing Exchange Access in this proposal, Ameritech would continue to provide such access just as it does today and would collect the applicable access charges for providing such access. AT&T, or any other carrier, could use the Unbundled Local Switching and Interoffice Transport Elements to provide Exchange Access to interexchange carriers, if it chose to do so.

[34] Such Network Elements would include appropriate quantities and locations of Dedicated or Shared Transport, Unbundled Tandem Switching, and Unbundled Local Switching in Ameritech End Offices in which AT&T did not have Local Loop customers.

Conclusion

Ameritech's offering of Shared Transport and the Network Element Platform is fully consistent with the Interconnection Agreement, the Act and the FCC Rules. In addition, Ameritech has offered an additional option for Shared Transport, not required by the Act, to address concerns raised by some new local exchange carriers. To address AT&T's requirements for the Network Element Platform, Ameritech has proposed a compromise alternative that, again, although not required by the Act, provides an additional option for AT&T—and other new local exchange carriers—to compete for local exchange customers. Unlike AT&T's positions on these issues, Ameritech's Shared Transport option and compromise proposal are fully consistent with the principles of the Act and the FCC Rules.

UNE-PLATFORM: NETWORK CONNECTIVITY AND PRICING*



*Prices taken from AT&T/Ameritech Wisconsin Interconnection Agreement
** As specified in PSCW's Draft Order in 6720-T1-120, 5/5/97

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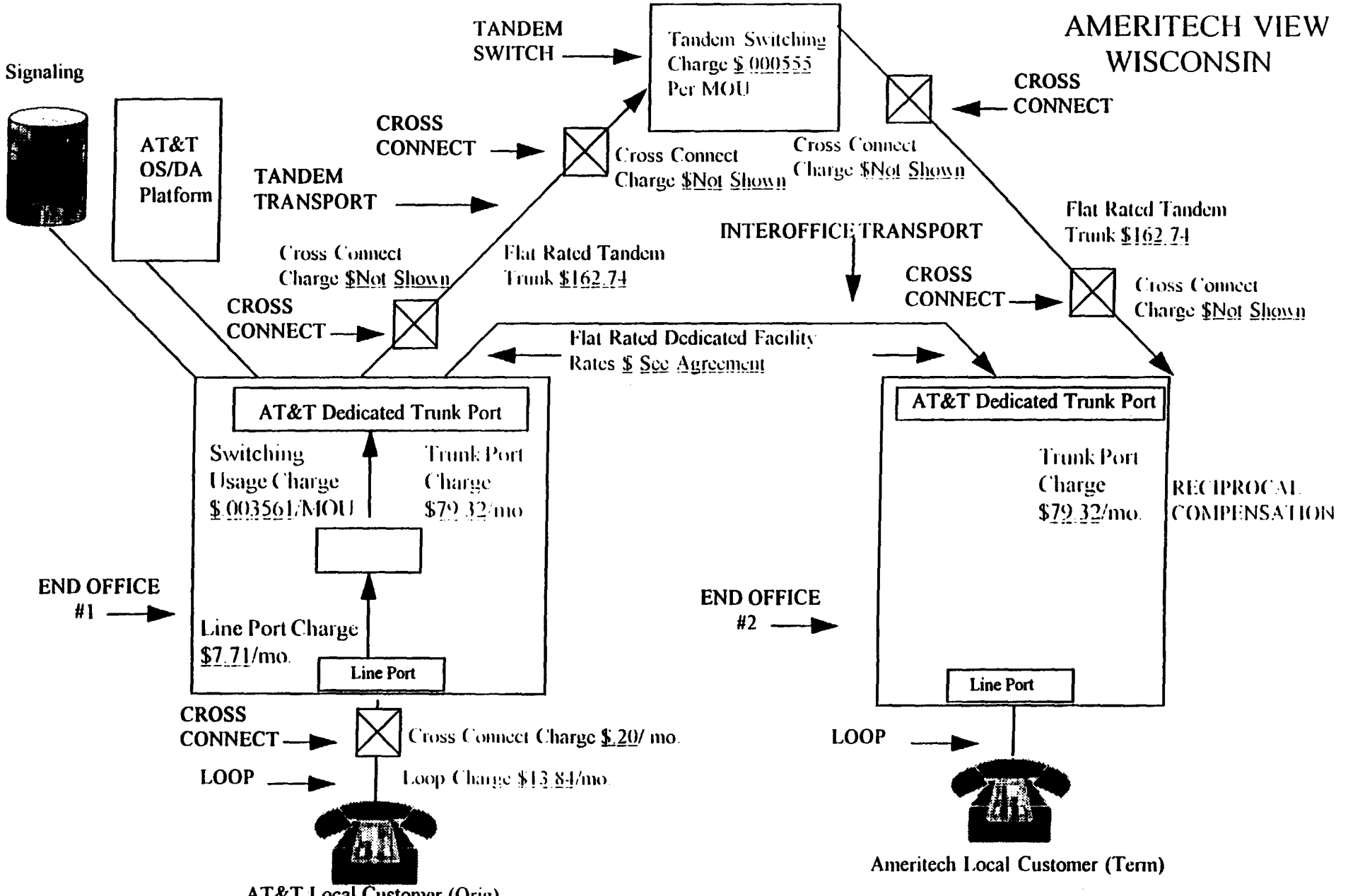

*Prices taken from AT&T/Ameritech Wisconsin Interconnection Agreement

AT&T